

CITY AND BOROUGH OF SITKA, ALASKA
HARBOR FACILITIES REVENUE BONDS, 2018

ORDINANCE NO. 2018-46

AN ORDINANCE of the City and Borough of Sitka authorizing the issuance of a harbor facilities revenue bond in a principal amount not to exceed \$8,600,000 to finance a portion of the cost of certain capital improvements to Sitka's harbor facilities; authorizing the sale of the bond to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance and in a loan agreement authorized to be entered into with the Bond Bank; providing for the date, terms and covenants of the bond; and amending a provision of Ordinance No. 2013-01.

PASSED: _____, 2018

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CITY AND BOROUGH OF SITKA, ALASKA

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WHEREAS, the City and Borough of Sitka, Alaska (the "City"), owns and operates certain facilities of a port and maritime nature used primarily to serve vessels within the City's harbor (as further described herein, the "Harbor Facilities"); and

WHEREAS, the City has established the Harbor Enterprise Fund into which are deposited revenues derived from owning and operating the Harbor Facilities; and

WHEREAS, the City wishes to make certain improvements to Crescent Harbor (as further described herein, the "Project"), which is part of the Harbor Facilities; and

WHEREAS, to pay a portion of the cost of the Project, the City has received a municipal harbor facility grant from the State of Alaska in the amount of \$5,000,000 that requires matching funds from the City; and

WHEREAS, by Resolution No. 2018-16, adopted by the Assembly of the City and Borough of Sitka (the "Assembly") on July 24, 2018, the Assembly authorized the issuance of revenue bonds to provide those matching funds and authorized an application to the Alaska Municipal Bond Bank (the "Bond Bank") to issue the bonds through the Bond Bank; and

WHEREAS, as authorized by Ordinance No. 2013-01, the City issued its Harbor Facilities Revenue Bond, 2013 (the "2013 Bond), through the Bond Bank; and

WHEREAS, the 2013 Bond is payable from and secured by a lien on revenue of the Harbor Enterprise Fund, and Ordinance No. 2013-01 permits the City to issue additional bonds payable from and secured by a parity lien on that revenue, if certain parity conditions are satisfied; and

WHEREAS, the Assembly finds that those parity conditions can be satisfied and that it is in the best interest of the City and users of the Harbor Facilities to issue bonds payable from revenues derived from the Harbor Facilities to provide the required matching funds, fund a reserve account, and pay costs of issuing the bonds and to issue those bonds through the Bond Bank on the terms and conditions set forth in this ordinance and in a loan agreement authorized by this ordinance to be entered into with the Bond Bank by the Administrator; and

WHEREAS, on September 25, 2018, the Assembly held a public hearing on the issuance of the Bond as required by Section 147(f) of the Internal Revenue Code, as amended;

NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska, as follows:

Section 1. Classification. This ordinance is not of a permanent nature and is not intended to become part of the Sitka General Code.

Section 2. Definitions. As used in this ordinance, the following words have the following meanings, unless a different meaning clearly appears from the context:

“2013 Bonds” means the Harbor Facilities Revenue Bond, 2013, dated March 12, 2013, as authorized by Ordinance 2013-01, issued in the original amount of \$3,955,000 and currently outstanding in the amount of \$3,270,000.

“Administrator” means the Municipal Administrator of the City or the successor to the duties of that office.

“Annual Debt Service” means the total amount of Debt Service for any bonds or other evidences of indebtedness payable from Gross Revenue in any fiscal year.

“Assembly” means the Assembly of the City and Borough of Sitka, Alaska, the general legislative authority of the City, as duly constituted from time to time, or any successor body.

“Balloon Maturity Bonds” means any bonds or other evidences of indebtedness of the City payable from Gross Revenue that are so designated in the ordinance pursuant to which such bonds are issued or such indebtedness is incurred.

“Base Period” means any consecutive 12-month period selected by the City out of the 36-month period next preceding the date of issuance of a series of Future Parity Bonds.

“Bond Bank” means the Alaska Municipal Bond Bank, a public corporation and instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended.

“Bond” means the City and Borough of Sitka, Alaska, Harbor Facilities Revenue Bond, 2018, authorized to be issued in a principal amount not to exceed \$8,600,000 pursuant to this ordinance.

“Bond Bank Bonds” means bonds to be issued by the Bond Bank to provide funds to be loaned to the City pursuant to the Loan Agreement.

“Bond Fund” means the “City and Borough of Sitka 2013 Harbor Facilities Revenue Bond Redemption Fund,” established pursuant to Ordinance No. 2013-01 to pay and secure payment of Parity Bonds.

“Bond Register” means the registration books for the Bond maintained by the Registrar, for the purpose of complying with the requirements of Section 149 of the Code and listing, *inter alia*, the names and addresses of all Registered Owners of Bond.

“Chief Finance and Administrative Officer” means the Chief Finance and Administrative Officer of the City or the successor to the duties of that office.

“City” means the City and Borough of Sitka, Alaska, a home rule municipal corporation duly organized and existing under the Constitution and laws of the State of Alaska and its Charter.

“Code” means the federal Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bond.

“Consultant” means an independent municipal financial consultant, including but not limited to an independent accounting firm or engineer, having a favorable reputation for skill and experience with maritime facilities comparable to the Harbor Facilities in such matters as are relevant to the purpose for which he or she is retained, appointed from time to time by the City to perform the duties of the Consultant as required by this ordinance.

“Covered Bonds” means the 2013 Bond, the Bond, and any Future Parity Bonds designated in the ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account.

“Debt Service” means, for any period of time,

(a) for outstanding Fixed Rate Bonds, an amount equal to the sum of:

(1) all interest payable on such Fixed Rate Bonds during the period;

(2) the amount of principal of such Fixed Rate Bonds due or subject to mandatory redemption during such period and for which no Sinking Fund Requirement has been established, and

(3) the amount of the Sinking Fund Requirement for the period;

plus

(b) for outstanding Parity Bonds other than Fixed Rate Bonds, including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for the period equal to the amount that would have been payable for principal and interest on these Parity Bonds during that period computed on the assumption that the amount of Parity Bonds as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the City) and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the

certificate required by Section 12 hereof, then within ten days of such certificate, (iii) to provide for approximately level annual debt service of principal and interest over such period.

Debt Service shall be net of any capitalized interest funded out of bond proceeds and any Debt Service Offsets.

“Debt Service Offset” means receipts of the City, including but not limited to federal interest subsidy payments, designated as such by the City that are not included in Gross Revenue and are legally available to pay debt service on Parity Bonds.

“Fish Tax Receipts” means money received by the City from the State of Alaska from proceeds of fisheries business taxes levied pursuant to Chap. 43.75 Alaska Statutes, as amended, the fisheries resource landing taxes levied pursuant to Chap. 43.77 Alaska Statutes, as amended, or any similar or successor state taxes.

“Fitch” means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Chief Finance and Administrative Officer.

“Fixed Rate Bonds” means those Parity Bonds other than Balloon Maturity Bonds the rates of interest of which are fixed and determinable through their final maturity or for a specified period of time. If so provided in the ordinance authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

“Future Parity Bonds” means revenue bonds of the City issued after the date of issuance of the Bond that have a lien on Gross Revenue for the payment of the principal thereof and interest thereon equal to the lien on the Gross Revenue for the payment of the principal of and interest on the Bond.

“Government Obligations” means any bonds or other obligations that, as to principal and interest, constitute direct obligations of, or are unconditionally guaranteed by, the United States of America.

“Gross Revenue” means all income and revenue derived by the City from time to time from its ownership or operation of the Harbor Facilities, together with the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties or rights of the Harbor Facilities, any federal interest subsidy payments received in connection with Parity Bonds (to the extent such payments are not designated as Debt Service Offsets), and any investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Harbor Facilities (but excluding income derived from investments irrevocably pledged to the payment of any specific revenue bonds of the City, such as bonds heretofore or hereafter refunded or defeased, investment income earned on money in any arbitrage rebate account, grants for capital purposes, and non-cash gains with respect to any real or personal property, investment or agreement that may be required to be recognized under generally accepted accounting principles) and excluding any Special Revenue.

“Harbor Enterprise Fund” means the fund of that name previously established in the office of the Chief Finance and Administrative Officer into which all Gross Revenue is deposited.

“Harbor Facilities” means all publicly owned facilities of a port or maritime nature that are used by or for the service of vessels, as further described in Section 13.04.070 of the Sitka Code, as it may be amended from time to time, but shall not include port or maritime facilities that may hereafter be acquired or constructed by the City as an enterprise designated by the Assembly at the time of financing thereof to be separate from the Harbor Facilities, the revenues of which may be designated as Special Revenue pledged to the payment of bonds issued to purchase, construct or otherwise acquire or expand that separate enterprise.

“Loan Agreement” means the Loan Agreement by and between the City and the Bond Bank authorized to be entered into pursuant to Section 19 of this ordinance.

“Moody’s” means Moody’s Investors Service, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P and Fitch) designated by the Chief Finance and Administrative Officer.

“Net Revenue” means, for any period, Gross Revenue less Operating Expenses for that period, excluding from the computation of Gross Revenue (a) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of properties or rights of the Harbor Facilities, or resulting from the early extinguishment of debt; and (b) insurance proceeds other than proceeds to replace lost revenue.

“Operating Expenses” mean the City’s expenses for operating and maintaining the Harbor Facilities, and ordinary repairs, renewals, replacements and reconstruction of the Harbor Facilities, including payments into reasonable reserves in the Harbor Enterprise Fund for items of operation and maintenance the payment for which is not immediately required, and shall include, without limiting the generality of the foregoing, rents, administrative and general expenses; engineering expenses; legal and financial advisory expenses; required payments to pension, retirement, health and hospitalization funds; insurance premiums; and any taxes, assessments, payments in lieu of taxes or other lawful governmental charges, all to the extent properly allocable to the Harbor Facilities; and the fees and expenses of the Registrar. Operating Expenses shall not include any costs or expenses for new construction, interest, amortization, non-cash losses or costs with respect to any real or personal property, investment or agreement that may be required to be recognized under generally accepted accounting principles, including but not limited to depreciation expense and unrealized mark-to-market losses.

“Parity Bonds” means the 2013 Bond, the Bond, and any Future Parity Bonds.

“Permitted Investments” means any investments permitted for City funds under Alaska law, subject to any limitations imposed by the Bond Bank.

“Project” means the Crescent Harbor Reconstruction Phase 1, as more fully described in Section 4 of this ordinance.

“Project Fund” means Fund #752 Crescent Harbor Revenue Bond in the records maintained by the Chief Finance and Administrative Officer.

“Qualified Insurance” means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest Rating Categories by two Rating Agencies.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of registered owners of the applicable Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest Rating Categories by any Rating Agency.

“Rate Stabilization Account” means the account of that name within the Harbor Enterprise Fund.

“Rating Agency” means Moody’s, S&P or Fitch.

“Registrar” means the Chief Finance and Administrative Officer, for the purposes of registering and authenticating the Bond, maintaining the Bond Register, and paying principal of and interest on the Bond.

“Registered Owner” means the person in whose name the Bond is registered on the Bond Register.

“Reserve Account” means the Reserve Account authorized to be created within the Bond Fund pursuant to Section 9 of this ordinance.

“Reserve Requirement” means the amount to be calculated with respect to all Covered Bonds and separately with respect to other Parity Bonds, as follows:

(a) For Covered Bonds, the Reserve Requirement is equal to the least of: (1) maximum Annual Debt Service for Covered Bonds, (2) 10% of the initial principal amount of each series of Covered Bonds, and (3) 125% of average Annual Debt Service for Covered Bonds; provided, however, that the amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds will not be greater than the Tax Maximum. If the amount required to be contributed at the time of issuance of a series exceeds the Tax Maximum, then the amount required to be contributed shall be equal to the Tax Maximum.

(b) For any Parity Bonds that are not designated as Covered Bonds, the Reserve Requirement will be the amount, if any, specified in the ordinance authorizing the issuance of those Parity Bonds.

The amount of the Reserve Requirement may be recalculated from time to time as principal of Parity Bonds is paid or Future Parity Bonds are issued.

“Rule” means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934.

“SEC” means the Securities and Exchange Commission.

“S&P” means S&P Global Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s and Fitch) designated by the Chief Finance and Administrative Officer.

“Sinking Fund Requirement” means, for any fiscal year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed or paid at maturity in that fiscal year as established by the ordinance or other proceedings of the City authorizing the issuance of those Term Bonds.

“Special Revenue” means the rentals, fees, charges and other revenue derived from maritime facilities of the City the acquisition or construction of which has been financed by the issuance of revenue bonds payable from and secured by a pledge of those rentals, fees, charges and other revenues and not payable from and secured by a pledge of Gross Revenue.

“Tax Certificate” means the certificate with respect to federal tax matters relating to the Bond authorized to be executed by the Chief Finance and Administrative Officer or his designee pursuant to the provisions of Section 14 of this ordinance.

“Tax Maximum” means the maximum amount permitted by the Code to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

“Term Bonds” means any Future Parity Bonds identified as such in the proceedings for the sale thereof, the payment of the principal of which is fully provided for by a Sinking Fund Requirement.

Rules of Interpretation. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice versa unless the context shall otherwise indicate. Reference to sections and other subdivisions of this ordinance are to the sections and other subdivisions of this ordinance as originally adopted unless expressly stated to the contrary. The headings or titles of the sections hereof, and the table of contents appended hereto, are for convenience of reference only and shall not define or limit the provisions hereof.

Section 3. Findings; Compliance with Parity Conditions. The Council hereby finds and determines, as required by Section 11(b) of Ordinance No. 2013-01 (the “Parity Conditions”), as follows:

(a) At the time of adoption of this ordinance and at the time of the issuance and delivery of the Bond, there is not nor will there be any deficiency in the Bond Fund or any of the accounts therein.

(b) This ordinance includes the covenants set forth in Section 10 of Ordinance 2013-01 and provides that the Reserve Requirement will be funded on the date of delivery of the Bond.

(c) At the time of delivery of the Bond, the City will have on file either (i) a certificate of the City showing that Net Revenue (which may be based on unaudited financial statement of the City) equals at least 125% of the maximum Annual Debt Service for all Parity Bonds then outstanding plus the Bond; or (ii) a certificate of a Consultant dated not earlier than 90 days prior to the date of delivery of the Bond and showing that the Net Revenue (determined and adjusted as provided in the Parity Conditions) will equal at least 125% of the maximum annual Debt Service on all Parity Bonds then outstanding, including the Bond.

The Parity Conditions having been complied with or assured, the payments required in this ordinance to be made out of the Harbor Enterprise Fund into the Bond Fund and the Reserve Account shall constitute a lien and charge upon the money in the Harbor Enterprise Fund equal to the lien and charge thereon for the payments required to be made into the Bond Fund to pay and secure the payment of the principal of and interest on the 2013 Bond.

Section 4. The Project. As described in Resolution No. 2018-16, the Assembly finds that the deterioration of infrastructure at Crescent Harbor requires the City to undertake the following improvements as part of the Crescent Harbor Reconstruction Phase 1: replacing floats and ramps, replacing and upgrading existing potable water, fire protection, electrical and lighting infrastructure, and making ADA accessible improvements (the “Project”). The Assembly further finds that it is in the best interest of the City and ratepayers of the Harbor Facilities that a portion of the cost of the Project be financed from proceeds of the Bond.

The cost of all necessary planning, legal, architectural, engineering, design and other consulting services, inspection and testing, administrative and relocation expenses, on- and off-site utilities, purchases of equipment, and other costs incurred in connection with the Project shall be deemed a part of the cost of the Project. The City will determine the extent and specifications for the Project.

The City will determine the application of available funds among the various components of the Project to accomplish, as nearly as may be, the entire Project. If proceeds of sale of the Bond, plus the expected municipal harbor facility grant and any other money of the City legally available for such purpose, are insufficient to accomplish all of the Project, the City will use the available funds to accomplish those components of the Project that the Assembly deems most necessary and in the best interest of the City.

If the City determines that it has become impracticable to accomplish one or more components of the Project because of changed conditions, incompatible development, or costs substantially in excess of those estimated, the City shall not be required to accomplish such component or components and may apply the Bond proceeds to other components of the Project.

If the entire Project has been constructed or duly provided for, or found to be impracticable, and Bond proceeds remain available, the Assembly may apply Bond proceeds to other capital repairs or improvements to the Harbor Facilities or to retiring the Bond.

Section 5. Authorization of Bond. The City shall now issue and sell not to exceed \$8,600,000 principal amount of Harbor Facilities revenue bonds to provide funds to pay a portion of the cost of the Project. The bonds shall be issued to the Bond Bank as a single bond to be designated as the “City and Borough of Sitka Harbor Facilities Revenue Bond,” with such year and series

designation as may be appropriate. The Bond shall be dated the date of its sale and delivery to the Bond Bank, in accordance with Section 19 hereof, shall be fully registered as to both principal and interest, shall be numbered in such manner and with any additional designation as the Registrar deems necessary for purposes of identification and control, shall bear interest at the rate or rates, shall mature on the date or dates and shall be paid in installments in the principal amounts and on the dates to be determined in accordance with Section 19 hereof. Interest on the Bond shall be calculated based on a 360-day year of twelve 30-day months.

The Bond shall be an obligation only of the Bond Fund and shall be payable and secured as provided herein. The Bond does not constitute an indebtedness or general obligation of the City within the meaning of the constitutional provisions and limitations of the State of Alaska.

Section 6. Registration, Payment and Transfer. The Chief Finance and Administrative Officer shall act as authenticating agent, transfer agent, paying agent and registrar for the Bond (collectively, the "Registrar"). Both principal of and interest on the Bond shall be payable in lawful money of the United States of America. Interest on the Bond shall be paid by check or draft of the Registrar mailed (on the date such interest is due) to the Registered Owner or nominee at the addresses appearing on the Bond Register on the fifteenth day of the month preceding each interest payment date. Principal of the Bond shall be payable upon presentation and surrender of the Bond to the Registrar by the Registered Owner or nominee at the office of the Registrar in Sitka, Alaska. Notwithstanding the foregoing, if the Bond is sold to the Bond Bank pursuant to the provisions of Section 19 of this ordinance, and for so long as the Bond Bank is the owner of the Bond, payments of principal of and interest on the Bond shall be made to the Bond Bank in accordance with the Loan Agreement.

The Bond may be transferred only on the Bond Register maintained by the Registrar for that purpose upon the surrender thereof by the Registered Owner or nominee or his or her duly authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully registered Bond of like, principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Upon surrender thereof to the Registrar, the Bond is interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof) of an equal aggregate principal amount and of the same interest rates and principal payment amounts as such Bond. Such transfer or exchange shall be without cost to the Registered Owner or transferee.

The City may deem the person in whose name the Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on the Bond and for any and all other purposes whatsoever.

Section 7. Prepayment. Provisions for the optional prepayment of some or all principal installments of the Bond may be established pursuant to Section 19 and shall be set forth in the Loan Agreement. Portions of the principal amount of the Bond, in increments of \$5,000 or any integral multiple of \$5,000, may be prepaid.

So long as the Bond Bank is the owner of the Bond, notice of prepayment shall be given according to the terms of the Loan Agreement. If the Bond Bank is not the owner of the Bond, notice of prepayment shall be given not less than 30 nor more than 60 days prior to the date fixed for prepayment by first class mail, postage prepaid, to the Registered Owner of the Bond at the address appearing on the Bond Register. The requirements of this section shall be deemed complied with

when notice is mailed as herein provided, regardless of whether it is actually received by the owner of the Bond. Each official notice of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price or prepayment premium, if any, payable upon such prepayment; (iii) if less than all of an installment of principal is to be prepaid, the principal amount to be prepaid (which must be an integral multiple of \$5,000); (iv) that the interest on the Bond, or on the principal amount thereof to be prepaid, designated for prepayment in such notice, shall cease to accrue from and after such prepayment date; and (v) that on such date there will become due and payable on the Bond the principal amount thereof to be prepaid and the interest accrued on such principal amount to the prepayment date.

Section 8. Harbor Enterprise Fund.

(a) *Harbor Enterprise Fund.* There has heretofore been established in the office of the Chief Finance and Administrative Officer a separate enterprise fund of the City designated as the “Harbor Enterprise Fund” (the “Harbor Enterprise Fund”). All Gross Revenue shall be deposited in the Harbor Enterprise Fund. Notwithstanding the foregoing, the Chief Finance and Administrative Officer may maintain separate funds and accounts in such names and under such additional designations as may be required to comply with City practices and Alaska law.

(b) *Priority of Application of Gross Revenue.* The Harbor Enterprise Fund shall be held separate and apart from all other funds and accounts of the City and the Gross Revenue deposited in this fund shall be used only for the following purposes and in the following order of priority:

First, to pay the Operating Costs;

Second, to pay principal of and interest on any Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or Qualified Insurance secures the payment of debt service on Parity Bonds and the ordinance authorizing those Parity Bonds provides for such reimbursement;

Third, to make all payments required to be made into the Reserve Account for Covered Bonds and to any reserve account created in the future for the payment of debt service on Future Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or Qualified Insurance has been issued to fund the Reserve Requirement or the reserve requirement(s) for any Future Parity Bonds and the ordinance authorizing those Future Parity Bonds provides for such reimbursement;

Fourth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and debt service account or reserve account created to pay and secure the payment of the principal of and interest on any other revenue bonds or revenue warrants of the City having a lien on Gross Revenue junior and inferior to the lien thereon to pay or secure the payment of Parity Bonds; and

Fifth, to retire by redemption or purchase any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Harbor Facilities, to make deposits into the Rate Stabilization Account, or for any other lawful City purposes.

The City may transfer any money from any funds or accounts of the Harbor Facilities legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds, to meet the required payments to be made into the Bond Fund.

(c) *Rate Stabilization Account.* The Chief Finance and Administrative Officer is hereby authorized to establish a Rate Stabilization Account within the Harbor Enterprise Fund. The City may make payments into the Rate Stabilization Account from the Harbor Enterprise Fund at any time. Money in the Rate Stabilization Account may be withdrawn at any time for deposit into the Harbor Enterprise Fund and used for the purposes for which Gross Revenue may be used. Amounts withdrawn from the Rate Stabilization Account and deposited into the Harbor Enterprise Fund shall increase Gross Revenue for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period during which they are deposited. Credits to or from the Rate Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within that fiscal year. Earnings on the Rate Stabilization Account shall be credited to the Harbor Enterprise Fund.

Section 9. Bond Fund. A special fund of the City known as the “City and Borough of Sitka 2013 Harbor Facilities Revenue Bond Redemption Fund” (the “Bond Fund”) has heretofore been established in the office of the Chief Finance and Administrative Officer. Within the Bond Fund, the Chief Finance and Administrative Officer has established the Debt Service Account and the Reserve Account. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Parity Bonds.

(a) *Payments into Debt Service Account.* As long as any Parity Bond remains outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay into the Debt Service Account out of money in the Harbor Enterprise Fund or any other funds of the City legally available for this purpose, on or before the date due is provided in the Loan Agreement, the amounts necessary, together with money already in the Debt Service Account, to pay the principal of, premium, if any, and interest on the Bond as the same become due and payable.

If there is a deficiency in the Debt Service Account for such purpose, the City shall make up the deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in the amount that will provide cash in the Reserve Account sufficient to make up any such deficiency.

Whenever and so long as the assets of the Debt Service Account are sufficient to provide money to pay when due a principal installment on the Bond in full, including such interest as may be due thereon, no payments need be made into the Debt Service Account pursuant to this ordinance.

Money in the Debt Service Account shall be held for the benefit of the owners of all Parity Bonds then outstanding and payable equally and ratably and without preference or distinction as between different series, installments or maturities.

(b) *The Reserve Account.* The Reserve Account shall be maintained as a common reserve, securing the payment of the principal of and interest on the 2013 Bond, the Bond, and any Future Parity Bonds that are designated as Covered Bonds in the ordinance authorizing their issuance (inclusively, “Covered Bonds”). Prior to or upon the issuance of the Bond, the City will deposit into the Reserve Account funds sufficient to satisfy the Reserve Requirement for the Bond. The City

covenants and agrees that from and after the closing and delivery of the Bond, it will at all times maintain an amount in the Reserve Account at least equal to the Reserve Requirement, except for withdrawals therefrom authorized by this ordinance, so long as any Covered Bonds remain outstanding. The Reserve Requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. All amounts other than a Qualified Letter of Credit or Qualified Insurance held in the Reserve Account shall be invested solely in Permitted Investments. In computing the amount on hand in the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other Reserve Account investments shall be valued as provided in (d) below. As used herein, the term "cash" includes U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check. The deposit to the Reserve Account may be satisfied initially by the transfer of qualified investments to that account.

If the balances on hand in the Reserve Account are sufficient to satisfy the Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Bond Fund, including the Reserve Account to pay the principal of and interest on all outstanding Covered Bonds, the money in the Reserve Account may be used to pay such principal and interest. As long as the money left remaining on deposit in the Reserve Account is equal to the Reserve Requirement, money in the Reserve Account may be transferred to the Bond Fund and used to pay the principal of and interest on Covered Bonds as the same become due and payable. The City also may transfer out of the Reserve Account any money required in order to prevent any Parity Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Bond Fund for the payment of debt service on Covered Bonds occurs, the deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency with respect to Covered Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit or Qualified Insurance for Covered Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance provides.

In making the payments and credits to the Reserve Account required by this Section 9(b), to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit will be credited against the amounts required to be maintained in the Reserve Account by this Section 9(b) to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution; provided, however, that no such credit shall apply if such insurance company or financial institution is not rated in one of the three highest Rating Categories by two Rating Agencies.

Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up within one year of the date of withdrawal from Net Revenue (or out of any other money on hand legally available for such purpose) after making necessary provision for the payments required to be made by paragraphs First and Second in Section 8 of this ordinance. Any deficiency created in the Reserve Account by reason of any such credit downgrade shall then be made up (1) by

obtaining substitute Qualified Insurance or Qualified Letter of Credit within one year of the date of such downgrade or (2) from Net Revenue (or out of any other money on hand legally available for such purpose), in no more than five approximately equal annual deposits, after making necessary provision for the payments required to be made by paragraphs First and Second in Section 8 of this ordinance.

Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than 30 days' notice to the City. In the event of any cancellation, the Reserve Account shall be funded as if the Covered Bonds that remain outstanding had been issued on the date of such notice of cancellation.

If the City elects to meet the Reserve Requirement by using a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device that the City's reimbursement obligation, if any, to such entity shall be made from payments of principal and interest on Covered Bonds from the City subject only to the prior lien thereon for the payments required hereunder to be made to registered owners of Parity Bonds.

(c) *Priority of Lien of Payments into Bond Fund and Reserve Account.* The amounts so pledged to be paid into the Bond Fund and the accounts therein from the Harbor Enterprise Fund are hereby declared to be a prior lien and charge on the Gross Revenue superior to all other charges of any kind or nature whatsoever except the Operating Costs and equal in rank to the lien and charge on Gross Revenue to pay and secure the payment of any Future Parity Bonds.

(d) *Application and Investment of Money in the Bond Fund.* Money in the Bond Fund may be kept in cash or Permitted Investments. Investments in the Debt Service Account shall mature prior to the date on which such money is needed for required interest or principal payments or having a guaranteed redemption price prior to maturity. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds.

(e) *Sufficiency of Revenues.* The Assembly hereby finds that in fixing the amounts to be paid into the Bond Fund and the accounts therein out of Gross Revenue, it has exercised due regard for the Operating Costs and has not obligated the City to set aside and pay into the Bond Fund and the accounts therein a greater amount of such revenue than in its judgment will be available over and above the Operating Costs.

Section 10. Defeasance. If money and/or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bond or a portion thereof in accordance with its terms, are set aside in a special account to effect such prepayment and retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bond or portion thereof so provided for, and such Bond or portion thereof shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and such Bond or portion thereof shall be deemed not to be outstanding hereunder.

Section 11. Specific Covenants.

(a) *Rate Covenant.* The City will establish, maintain and collect moorage fees and other rates and charges for the use of the Harbor Facilities for so long as the Bond is outstanding that will provide in any fiscal year hereafter Net Revenue, taking into account (A) transfers from the Rate Stabilization Account in accordance with Section 8(c) and (B) any Fish Tax Receipts or other City funds deposited in the Harbor Enterprise Fund and available to pay debt service on Parity Bonds, in an amount equal to at least 125% of the Debt Service required to be paid in that fiscal year on the outstanding Parity Bonds.

The City will cause the rate coverage calculation described in this Section 11(a) to be made no later than 90 days following the end of each fiscal year. Failure to collect Gross Revenue in any fiscal year sufficient to comply with the rate covenant set forth in this Section 11(a) will not constitute an Event of Default under this ordinance if, before the 180th day of the following fiscal year, the City:

(1) employs a Consultant to recommend changes in moorage fees and other rates and charges for the use of Harbor Facilities that are estimated to produce Gross Revenue sufficient to satisfy the rate covenant set forth in this Section 11(a); and

(2) imposes moorage fees and other rates and charges for the use of Harbor Facilities at least as high as those recommended by the Consultant that will become effective at the time or times so recommended.

(b) *Harbor Facilities Maintenance.* The City will at all times maintain and keep the Harbor Facilities in good repair, working order and condition, and also will at all times operate the Harbor Facilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Disposal of Properties.* The City will not mortgage, sell, lease, or in any manner encumber or dispose of all or substantially all the property of the Harbor Facilities (voluntarily or involuntarily), unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of, premium, if any, and interest on all outstanding Parity Bonds, nor will it mortgage, sell, lease, or in any manner encumber or dispose of (including but not limited to a disposition by transfer to another public or private organization) voluntarily or involuntarily any part of the Harbor Facilities that is used, useful and material to the operation of the Harbor Facilities unless

(1) the City certifies, based upon reasonable expectations, that the remaining assets of the Harbor Facilities will be sufficient to continue regular operations of the City on a financially sound basis for a period of at least five years and

(2) provision is made for replacement thereof or for payment into the Bond Fund of the total amount of revenue received, which shall not be less than an amount that bears the same ratio to the amount of outstanding Parity Bonds as the greatest of

(A) the Net Revenue available for Debt Service for such outstanding Parity Bonds for the 12 months preceding such sale, lease, encumbrance or disposal from the portion

of the Harbor Facilities sold, leased, encumbered or disposed of bears to the Net Revenue available for Debt Service for such Parity Bonds from the entire Harbor Facilities for the same period;

(B) the Gross Revenue for the 12 months preceding such sale, lease, encumbrance or disposal from the portion of the Harbor Facilities sold, leased, encumbered or disposed of bears to the Gross Revenue for the same period; or

(C) the proportion of assets (on a depreciated basis) allocable to the assets being sold, leased, encumbered or disposed of bears to the total assets of the Harbor Facilities,

except that the City may dispose of any portion of the facilities of the Harbor Facilities up to an aggregate of 5% of the book value of the total assets of the Harbor Facilities without the requirement for any deposit to the Bond Fund as hereinabove provided.

Any such money so paid into the Bond Fund must be used to retire such outstanding Parity Bonds at the earliest possible date. Any money received by the City as condemnation awards, insurance proceeds or the proceeds of sale, if not deposited to the Bond Fund, shall be used for the replacement of facilities of the Harbor Facilities.

(d) *Books and Records.* The City will, while the Bond remains outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Harbor Facilities, and it will furnish the registered owner of the Bond, at the written request of the owner, complete operating and income statements of the Harbor Facilities in reasonable detail covering any fiscal year, showing compliance with the terms and conditions of this ordinance, not more than 150 days after the close of such fiscal year, and it will grant the owner of the Bond the right at all reasonable times to inspect the entire Harbor Facilities and all records, accounts and data of the City relating thereto. Upon request of the owner of the Bond, it will also furnish to the owner a copy of the most recently completed audit of the City's accounts by an independent certified public accountant.

(e) *No Free Service.* The City will not furnish any commodity or service of the Harbor Facilities to any customer whatsoever free of charge (except as permitted by law to aid the poor, to provide for resource conservation or to provide for the proper handling of hazardous materials) and will promptly take legal action to enforce collection of all delinquent accounts.

(f) *Insurance.* The City will either self-insure or, as needed, and to the extent insurance coverage is available at reasonable cost with responsible insurers, keep, or cause to be kept, the Harbor Facilities and the operation thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Harbor Facilities, or any part thereof, and against accidents, casualties or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by municipalities operating like enterprises. If insurance policies to provide coverage required by this subsection are not obtainable at reasonable cost with responsible insurers, the City shall, prior to the lapse of such policies, deliver an opinion to that effect to the Registered Owner of the Bond.

Section 12. Issuing Future Parity Bonds.

(a) *No Senior Lien Bonds.* The City hereby covenants and agrees with the owner of the Bond that the City will hereafter issue no bonds with a lien on Gross Revenue superior to the lien thereon of the Bond.

(b) *Conditions for Issuing Future Parity Bonds.* Except as provided in subsections (e) and (f) below, the City will issue Future Parity Bonds or incur any additional indebtedness with a parity lien or charge on Net Revenue (*i.e.*, on a parity of lien with the Bond and any other Parity Bonds at the time outstanding) only in compliance with the following conditions:

(1) At the time of the issuance of any Future Parity Bonds, there is no deficiency in the Bond Fund or any of the accounts therein;

(2) The ordinance authorizing the issuance of Future Parity Bonds will include the covenants provided in Section 11 hereof and provide that the Reserve Requirement will be funded no later than the date of delivery of the Future Parity Bonds; and

(3) the City will have on file a certificate (dated no earlier than the date that is 90 days prior to the date of issuance of the Future Parity Bonds) relating to Net Revenue, as described in subsection (c) or (d) below, except as otherwise permitted under subsection (e) below.

(c) *Certificate of the City Without A Consultant.* If required pursuant to subsection (b)(3) above, a certificate may be delivered by the City, executed by the Chief Finance and Administrative Officer without a Consultant, showing that Net Revenue (which may be based on unaudited financial statements of the City if the audit has not yet been completed) for the Base Period plus any Fish Tax Receipts deposited in the Harbor Enterprise Fund during the Base Period that are available to pay Debt Service on Parity Bonds equals at least 125% of the maximum Annual Debt Service for all Parity Bonds then outstanding plus the proposed Future Parity Bonds.

(d) *Certificate of a Consultant.* If required pursuant to subsection (b)(3) above, a certificate of a Consultant may be delivered by the City showing that Net Revenue for the Base Period plus any Fish Tax Receipts deposited in the Harbor Enterprise Fund during the Base Period that are available to pay Debt Service on Parity Bonds, equals at least 125% of the maximum Annual Debt Service for all Parity Bonds then outstanding plus the proposed Future Parity Bonds. In calculating Net Revenue for this certificate, the Consultant may rely on unaudited financial statements of the City if the audit has not yet been completed for the Base Period. Such Net Revenue may be adjusted to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions after delivery of the proposed Future Parity Bonds:

(1) any increase or decrease in Net Revenue projected to result from changes in moorage fees or other rates and charges for the use of Harbor Facilities (A) adopted prior to the date of the certificate but after the beginning of the Base Period and (B) effective at any time prior to the date needed for payment of Debt Service on Parity Bonds;

(2) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Harbor Facilities that (a) became fully operational after the beginning of the Base

Period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(3) the additional Net Revenue that would have been received if any customers added to the Harbor Facilities after the beginning of the Base Period had been customers for the entire period.

The Consultant shall base the certification upon, and the certificate shall have attached thereto, financial statements of the Harbor Facilities, certified by the Chief Finance and Administrative Officer, showing income and expenses for the Base Period.

(e) *No Certificate Required.* The certificate described in subsection (b)(3) and subsections (c) or (d) above is not required as a condition to the issuance of Future Parity Bonds:

(1) if the Future Parity Bonds are being issued to refund Parity Bonds and the Annual Debt Service for such Future Parity Bonds does not in any year exceed the Annual Debt Service for that year of the Parity Bonds being refunded by more than \$5,000; or

(2) if the Future Parity Bonds are being issued to pay costs of construction of facilities of the Harbor Facilities for which Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of the Chief Finance and Administrative Officer, and there is delivered a certificate of the Administrator stating that the nature and purpose of such facilities has not materially changed.

(f) *Refunding Obligations.* Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Section 13. Junior Lien Bonds. Nothing herein contained shall prevent the City from issuing revenue bonds or other obligations that are a charge upon the Gross Revenue junior or inferior to the payments required by this ordinance to be made out of such Revenue to pay and secure the payment of any outstanding Parity Bonds. Such junior or subordinate obligations may not be subject to acceleration. This prohibition against acceleration does not prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

Section 14. Tax Covenants.

(a) *General.* The City covenants not to take any action, or knowingly to omit to take any action within its control, that if taken or omitted would cause the interest on the Bond to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

(b) *Tax Certificate.* Upon the issuance of the Bond, the Chief Finance and Administrative Officer or his designee is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various facts and representations concerning the Bond, based on the facts and estimates known or reasonably expected on the date of their issuance, and make certain covenants with respect to the Bond as may be necessary or desirable to obtain or maintain the

benefits conferred under the Code relating to tax-exempt bonds. The City covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bond.

(c) *Arbitrage Covenant.* The City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bond or any other funds of the City that may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code that will cause the Bond to be an “arbitrage bond” within the meaning of that term in Section 148 of the Code. The City will comply with the requirements of Section 148 of the Code throughout the term of the Bond.

Section 15. Form of the Bond. The Bond shall be in substantially the following form:

NO. _____ \$ _____

UNITED STATES OF AMERICA

STATE OF ALASKA

CITY AND BOROUGH OF SITKA
HARBOR FACILITIES REVENUE BOND, 2018

INTEREST RATE:

FINAL MATURITY DATE:

SEE BELOW

REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The City and Borough of Sitka, Alaska (the “City”), a municipal corporation organized and existing under and by virtue of its charter and the laws and Constitution of the State of Alaska, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the principal amount specified above, in installments payable as set forth below, together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on _____ 1, 20__, and on each _____ 1 and _____ 1 thereafter until payment of the principal sum has been made or duly provided for.

Principal Installment Payment Year (_____ 1)	Principal Installment Amount	Interest Rate	Principal Installment Payment Year (_____ 1)	Principal Installment Amount	Interest Rate
_____	_____	_____	_____	_____	_____

Principal Installment Payment Year (_____ 1)	Principal Installment Amount	Interest Rate	Principal Installment Payment Year (_____ 1)	Principal Installment Amount	Interest Rate
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Both principal of and interest on this bond are payable solely from the special fund of the City known as the City and Borough of Sitka 2013 Harbor Facilities Parity Bond Redemption Fund (the "Bond Fund"). Payments of principal of and interest on this bond shall be made in lawful money of the United States of America. Installments of principal of and interest on this bond are payable by check or draft of the Chief Finance and Administrative Officer of the City (the "Registrar") mailed on the date such interest is due to the Registered Owner at the address appearing on the Bond Register as of the fifteenth day of the month preceding the interest payment date. The final installment of principal of and interest on this bond shall be paid to the Registered Owner upon presentation and surrender of this bond at the office of the Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this bond, payments of principal of and interest on this bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This bond is issued pursuant to Ordinance No. _____, passed _____, 2018 (the "Bond Ordinance"), to provide funds to finance the cost of capital improvements to Harbor Facilities. Capitalized terms used in this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

Principal installments of this bond are subject to prepayment as provided in the Bond Ordinance and in the Loan Agreement.

The City does hereby pledge and bind itself to set aside from the Harbor Facilities Harbor Enterprise Fund of the City created by Ordinance No. 2013-01, and to pay into the Bond Fund and the Accounts therein, the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has further pledged and bound itself to pay into the Harbor Enterprise Fund as collected, all Gross Revenue.

The amounts so pledged to be paid out of the Harbor Enterprise Fund into the Bond Fund and Accounts therein are hereby declared to be a prior lien and charge upon money in the Harbor Enterprise Fund superior to all other charges of any kind or nature except Operating Costs and equal in rank to the lien and charge on the money in the Bond Fund to pay and secure the payment of the 2013 Bond and any Future Parity Bonds.

The pledge of Gross Revenue for payment of principal of and interest on this bond may be discharged prior to maturity of this bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance and Loan Agreement.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and the charter, ordinances, and resolutions of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that this bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the City and Borough of Sitka, Alaska, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon, as of this ____ day of _____, 2018.

CITY AND BOROUGH OF SITKA,
ALASKA

By _____/s/_____
Mayor

[SEAL]

ATTEST:

/s/_____
Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is the City and Borough of Sitka, Alaska, Harbor Facilities Revenue Bond, 2018, dated _____, 2018, as described in the Bond Ordinance.

Chief Finance and Administrative Officer,
City and Borough of Sitka, Alaska, as
Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF
TRANSFeree

--

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ of _____, or its successor, as agent to transfer said bond on the books kept by the Registrar for registration thereof, with full power of substitution in the premises.

DATED: _____.

SIGNATURE GUARANTEED:

NOTE: The signature of this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 16. Execution of the Bond. The Bond shall be signed on behalf of the City by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the Clerk, and the seal of the City shall be impressed or imprinted thereon.

Only a Bond that bears thereon a Certificate of Authentication in the form set forth in Section 15 hereof, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, registered, and delivered hereunder and is entitled to the benefits of this ordinance.

In case any officer of the City who has signed, attested, authenticated, registered or sealed the Bond ceases to hold that office before the Bond so signed, attested, authenticated, registered or sealed has been actually issued and delivered, the Bond shall be valid nevertheless and may be issued by the City with the same effect as though the person who had signed, attested, authenticated, registered or sealed that Bond had not ceased to hold that office. Any Bond may also be signed, attested, authenticated, registered or sealed on behalf of the City by a person who, at the actual date of execution of the Bond is a proper officer of the City although at the original date of the Bond that person did not hold that office.

Section 17. Lost or Destroyed Bond. If the Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like amount, date, and tenor to the Registered Owner upon such owner's paying the expenses and charges of the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory to the Registrar.

Section 18. Application of Bond Proceeds. Fund #752 Crescent Harbor Revenue Bond (the "Project Fund") has been established by the Chief Finance and Administrative Officer. At the time of delivery of the Bond, proceeds of the Bond shall be deposited as follows:

(a) The accrued interest, if any, to the date of delivery shall be deposited in the Bond Fund and used to pay a portion of interest on the Bond on the first interest payment date;

(b) An amount shall be deposited in the Reserve Account that is sufficient, with other funds on deposit therein, to satisfy the Reserve Requirement for the Bond; and

(c) The remaining proceeds of the Bond shall be deposited in the Project Fund and used to pay costs of the Project and costs of issuance of the Bond.

Money remaining in the Project Fund after all such costs have been paid or reimbursed shall be applied to other capital improvements of the Harbor Facilities. Money in the Project Fund may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Project Fund.

Section 19. Sale of the Bond. The Administrator and the Chief Finance and Administrative Officer are authorized to complete the sale of the Bond to the Bond Bank on terms and conditions consistent with this ordinance and a loan agreement in substantially the form set forth on Attachment A attached to this resolution (the "Loan Agreement"). Following the sale of the Bond Bank Bonds, certain terms of the Bond, including the final principal amount, date, principal installment payment schedule, interest rates and prepayment provisions, all as provided for in this ordinance, will be set forth in the Loan Agreement, subject to the approval of the Administrator or Chief Finance and Administrative Officer or his designee, which approval will be conclusively evidenced by the signing and delivery of the Loan Agreement to the Bond Bank. The proper officials of the City and their agents and representatives are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bond to the Bond Bank in accordance with the provisions of this ordinance and the Loan Agreement.

Section 20. Events of Default.

To protect and safeguard the covenants and obligations undertaken by the City securing the Bond, the City hereby covenants and agrees with the purchaser and owner from time to time of the Bond that the following shall constitute "Events of Default":

(1) If default is made in the due and punctual payment of the principal of or premium, if any, on any of the Parity Bonds when the same become due and payable, either at maturity or by proceedings for redemption or otherwise;

(2) If default is made in the due and punctual payment of any installment of interest on any Parity Bond;

(3) If the City fails, by any Sinking Fund Requirement date, to have purchased or redeemed Term Bonds in a cumulative principal amount at least equal to the cumulative Sinking Fund Requirements at such Sinking Fund requirement date;

(4) If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City contained in this ordinance and such default or defaults continues for a period of 90 days after the City receives from a representative of (a) owners of not less than 66% in principal amount of the Parity Bonds then outstanding or (b) the

Bond Bank, if the Bond Bank is then the registered owner of any of the Parity Bonds, a written notice specifying and demanding the cure of such default;

(5) If the City (except as herein permitted) sells, transfers, assigns or conveys any properties constituting the Harbor Facilities or interests therein, or makes any agreement for such sale or transfer (except as expressly authorized herein);

(6) If an order, judgment or decree is entered by any court of competent jurisdiction: (a) appointing a receiver, trustee or liquidator for the City or the whole or any substantial part of the Harbor Facilities; (b) approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State of Alaska; or (c) assuming custody or control of the City or of the whole or any substantial part of the Harbor Facilities under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree is not vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control is not otherwise terminated) within 90 days from the date of the entry of such order, judgment or decree; or

(7) If the City: (a) admits in writing its inability to pay its debts generally as they become due; (b) files a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law; (c) makes an assignment for the benefit of its creditors; (d) consents to the appointment of a receiver of the whole or any substantial part of the Harbor Facilities; or (e) consents to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any substantial part of the Harbor Facilities.

Section 21. Remedies Available for an Event of Default.

(a) *Waivers of Default.* No delay or omission of the owners of the Parity Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Section to the owners of Parity Bonds may be exercised from time to time and as often as may be deemed expedient by such owners.

The owners of not less than 66% in principal amount of the Parity Bonds at the time outstanding (the "Majority Bondowners"), or their attorneys-in-fact duly authorized, may on behalf of the owners of all of the Parity Bonds waive any past default under this ordinance and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Parity Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

(b) *Suits at Law or in Equity.* The Majority Bondowners may, upon the happening of an Event of Default, and during the continuance thereof, take such steps and institute such suits, actions or other proceedings all as may be deemed appropriate for the protection and enforcement of the rights of owners of the Parity Bonds to collect any amounts due and owing the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance, or in any of the Parity Bonds.

Any action, suit or other proceedings instituted by the Majority Bondowners hereunder shall be brought in its name on behalf of all owners of the Parity Bonds, and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Majority Bondowners without the possession of any of said Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective owners of said Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Majority Bondowners the true and lawful trustee of the respective owners of the Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of the Parity Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the owner of a Parity Bond might have done in person. Nothing herein contained shall be deemed to authorize or empower the Majority Bondowners to consent to accept or adopt, on behalf of any owner of any Parity Bond, any plan or reorganization or adjustment affecting the Parity Bonds or any right of any owner thereof, or to authorize or empower the Majority Bondowners to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City shall be a party.

Nothing contained in this ordinance shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on Parity Bonds outstanding, and the remedy of acceleration is expressly denied to the owners of Parity Bonds outstanding under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

(c) *Books of City Open to Inspection.* The City covenants that if an Event of Default occurs and is not remedied, the books of record and account of the City will at all reasonable times be subject to the inspection and use of the owners of any Parity Bonds.

The City covenants that if an Event of Default happens and is not remedied, the City will continue to account, as trustee of an express trust, for all Revenues of the System and other money, securities and funds pledged under this ordinance.

Section 22. Ongoing Disclosure. The City acknowledges that, under Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City may now or in the future be an “obligated person” with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the City will undertake to provide certain annual financial information and operating data as may be set forth in the Loan Agreement.

Section 23. Amending Ordinance No. 2013-01. Because the Bond Bank does not require certain provisions in Ordinance No. 2013-01 relating to the value of investments of funds in the Reserve Account, Section 8(d) of Ordinance No. 2013-01 is hereby amended by deleting those provisions, as follows(deletions are stricken):

(d) *Application and Investment of Money in the Bond Fund.* Money in the Bond Fund may be kept in cash or Permitted Investments. Investments in the Debt Service Account shall mature prior to the date on which such money is needed for required interest or principal payments or having a guaranteed redemption price prior to maturity. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds.

~~For the purpose of determining the amount credited to the Reserve Account, investments in the Reserve Account shall be valued at the market value thereof. The term "market value" means, in the case of securities that are not then currently redeemable at the option of the owner, the current bid quotation for such securities, as reported to the City by such sources it selects, and the current redemption value in the case of securities that are then redeemable at the option of the owner. For obligations that mature within six months, the market value will be the par value thereof. The valuation of the amount in the Reserve Account shall be made by the City as of the close of business on each December 31 (or on the preceding business day if December 31 does not fall on a business day) and on each June 30 (or on the preceding business day if June 30 does not fall on a business day).~~

Section 24. General Authorization; Prior Acts. The Mayor, Administrator, Chief Finance and Administrative Officer and Clerk of the City and any other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 25. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 26. Effective Date. This ordinance shall be in full force and effect 30 days after its adoption by the Assembly.

READ FOR THE FIRST TIME at a regular meeting of the Assembly held on _____, 2018.

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska, on _____, 2018.

CITY AND BOROUGH OF SITKA,
ALASKA

By _____
Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

ATTACHMENT A

FORM OF LOAN AGREEMENT

THIS LOAN AGREEMENT, dated the ____ day of _____ 20__ (the "Loan Agreement"), between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Juneau, Alaska, and the _____, Alaska, a duly constituted _____ [city] [borough] of the State (the "[City] [Borough]"):

WITNESSETH:

WHEREAS, pursuant to the Act, the Bank is authorized to issue bonds and make loans of money (the "Loan" or "Loans") to governmental units; and

WHEREAS, the [City] [Borough] is a "Governmental Unit" as defined in the General Bond Resolution of the Bank hereinafter mentioned and was authorized to accept a Loan from the Bank, evidenced by its municipal bond; and

WHEREAS, the [City] [Borough] desires to borrow money from the Bank in the amount not to exceed \$_____ and has submitted an application to the Bank for a Loan in the amount not to exceed \$_____; and

WHEREAS, the [City] [Borough] has duly authorized the issuance of its fully registered bond in the principal amount of \$_____ (the "Municipal Bond"), which Municipal Bond is to be purchased by the Bank as evidence of and security for the [City's][Borough's] obligation to repay the Loan in accordance with this Loan Agreement; and

WHEREAS, the application of the [City] [Borough] contains the information requested by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank to obtain from time to time money with which to make, and/or to refinance Loans, the Board of Directors of the Bank (the "Board") has adopted its General Obligation Bond Resolution on July 13, 2005 (as amended, the "General Bond Resolution"); and

WHEREAS, the Board approved certain modifications to the General Bond Resolution, effective on the date when all bonds issued under the terms of the General Bond Resolution, prior to February 19, 2013, cease to be outstanding; and

WHEREAS, on _____, 2018 the Board adopted Series Resolution No. 20__-__ (the "Series Resolution" and together with the General Bond Resolution, the "Bond Resolution"), authorizing the Bank to, among other things, issue the Bank's General Obligation Bonds, 2018 Series _____ (the "2018 Series _____ Bonds"), make the Loan to the [City][Borough] and purchase the [City's][Borough's] Municipal Bond.

NOW, THEREFORE, the parties agree as follows:

1. The Bank hereby makes the Loan, and the [City] [Borough], hereby accepts the Loan in the principal amount of \$_____. As evidence of the Loan made to the [City] [Borough] and such money borrowed from the Bank by the [City] [Borough], the [City] [Borough] hereby agrees to sell to the Bank the Municipal Bond in the principal amount, with the principal installment payments, and bearing interest from its date at the rate or rates per annum, stated in Exhibit A.

2. The [City] [Borough] represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including [Ordinance] [Resolution] No. _____, adopted on _____, 20__ (the “[City] [Borough] [Ordinance] [Resolution]”). The [City][Borough] further represents to the Bank that the [City][Borough] has taken or will take all other proceedings required by law to enable it to enter into this Loan Agreement and to issue its Municipal Bond to the Bank and that the Municipal Bond will constitute [a general obligation bond, secured by the full faith and credit] [a revenue bond, secured by a special and limited obligation] of the [City] [Borough], all duly authorized by the [City] [Borough] [Ordinance] [Resolution].

The [City][Borough] represents that the [City][Borough] [Resolution] [Ordinance] is in full force and effect and has not been amended, supplemented or otherwise modified, other than as may have been previously certified by the [City][Borough] to the Bank.

3. Subject to any applicable legal limitations, the amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing interest due on its Municipal Bond (the “Municipal Bond Interest Payments”) shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the money with which to make the Loan and to purchase the Municipal Bond (the “Loan Obligations”) and shall be paid by the [City] [Borough] [for revenue obligations in monthly installments] at least seven (7) Business Days before the Interest Payment Date to provide funds sufficient to pay interest as the same becomes due on the Loan Obligations.

4. The amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing principal due on its Municipal Bond (the “Municipal Bond Principal Payments”), shall be paid [for revenue obligations, in monthly installments on the dates and in amounts sufficient] to provide at least seven (7) Business Days before the payment date stated in the Municipal Bond funds sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit A.

5. In the event the amounts referred to in Sections 3 and 4 hereof to be paid by the [City] [Borough] pursuant to this Loan Agreement are not made available at any time specified herein, the [City] [Borough] agrees that any money payable to it by any department or agency of the State may be withheld from it and paid over directly to the Trustee acting under the General Bond Resolution, and this Loan Agreement shall be full warrant, authority and direction to make such payment upon notice to such department or agency by the Bank, with a copy provided to the [City] [Borough], as provided in the Act.

6. In the event that all or a portion of the Loan Obligations have been refunded and the interest rates the Bank is required to pay on its refunding bonds in any year are less than the interest rates payable by the [City] [Borough] on the Municipal Bond for the corresponding year pursuant to the terms of the Municipal Bond, then both the Municipal Bond Interest Payments and the Municipal Bond Principal Payments will be adjusted in such a manner that (i) the interest rate paid by the [City] [Borough] on any principal installment of the Municipal Bond is equal to the interest rate paid by the Bank on the corresponding principal installment of the Bank’s refunding bonds and (ii) on a present value basis the sum of the adjusted Municipal Bond Interest Payments and Municipal Bond Principal

Payments is equal to or less than the sum of the Municipal Bond Interest Payments and Municipal Bond Principal Payments due over the remaining term of the Municipal Bond as previously established under this Loan Agreement. In the event of such a refunding of the Loan Obligations, the Bank shall present to the [City] [Borough] for the [City's] [Borough's] approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. If approved by the [City] [Borough] the revised schedule shall be attached hereto as Exhibit A and incorporated herein in replacement of the previous Exhibit A detailing said principal installment amounts and interest rates.

7. The [City] [Borough] is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the [City] [Borough] shall be in an amount sufficient, together with the [City's] [Borough's] Allocable Proportion (as defined below) of other money available therefor under the provisions of the Bond Resolution, and other money available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to Section 606 of the General Bond Resolution:

(a) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the Administrative Expenses of the Bank; and

(b) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations.

The [City's] [Borough's] Allocable Proportion as used herein shall mean the proportionate amount of the total requirement in respect to which the term is used determined by the ratio that the principal amount of the Municipal Bond outstanding bears to the total of all Loans then outstanding to all Governmental Units under the General Bond Resolution, as certified by the Bank. The waiver by the Bank of any fees payable pursuant to this Section 7 shall not constitute a subsequent waiver thereof.

8. The [City] [Borough] is obligated to make the Municipal Bond Principal Payments scheduled by the Bank. The first such Municipal Bond Principal Payment is due at least seven (7) Business Days prior to each date indicated in Exhibit A, and thereafter on the anniversary thereof each year. The [City] [Borough] is obligated to make the Municipal Bond Interest Payments scheduled by the Bank on a semi-annual basis commencing seven (7) Business Days prior to each date indicated in Exhibit A, and to pay any Fees and Charges imposed by the Bank within 30 days after receiving the invoice of the Bank therefor.

9. The Bank shall not sell and the [City] [Borough] shall not redeem prior to maturity any portion of the Municipal Bond in an amount greater than the related Loan Obligations which are then outstanding and which are then redeemable, and in the event of any such sale or redemption, the same shall be in an amount not less than the aggregate of (i) the principal amount of the Municipal Bond (or portion thereof) to be redeemed, (ii) the interest to accrue on the Municipal Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the premium, if any, payable on the Municipal Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Bank in effecting the redemption of the Municipal Bond (or portion thereof) to be redeemed. The [City] [Borough] shall give the Bank at least 50 days' prior written notice of the [City's][Borough's] intention to redeem its Municipal Bond.

In the event the Loan Obligations with respect to which the sale or redemption prior to maturity of such Municipal Bond is being made have been refunded and the refunding bonds of the Bank issued for the purpose of refunding such Loan Obligations were issued in a principal amount in excess of or less

than the principal amount of the Municipal Bond remaining unpaid at the date of issuance of such refunding bonds, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (i) above shall be the principal amount of such refunding bonds outstanding.

In the event all or a portion of the Loan Obligations have been refunded and the interest the Bank is required to pay on the refunding bonds is less than the interest the Bank was required to pay on the Loan Obligations, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (ii) above shall be the amount of interest to accrue on such refunding bonds outstanding.

In the event all or a portion of the Loan Obligations have been refunded, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (iii) above, when the refunded Loan Obligations or portion thereof are redeemed, shall be the premium, if any, on the Loan Obligations to be redeemed.

Nothing in this Section shall be construed as preventing the [City] [Borough] from refunding the Municipal Bond in exchange for a new Municipal Bond in conjunction with a refunding of all or a portion of the Loan Obligations.

10. Simultaneously with the delivery of the Municipal Bond to the Bank, the [City] [Borough] shall furnish to the Bank evidence satisfactory to the Bank which shall set forth, among other things, that the Municipal Bond will constitute a valid and binding [general obligation] [special and limited obligation] of the [City] [Borough], secured by the [full faith and credit] [revenue of the _____] of the [City] [Borough].

11. Invoices for payments under this Loan Agreement shall be addressed to the [City] [Borough], Attention: _____, _____, _____, Alaska 99____. The [City] [Borough] shall give the Bank and the corporate trust office of the Trustee under the General Bond Resolution at least 30 days' prior written notice of any change in such address.

12. [The [City] [Borough] hereby agrees that it shall fully fund, at the time of loan funding, its debt service reserve fund (in an amount equal to \$ _____) which secures payment of principal and interest on its Municipal Bond, that such fund shall be held in the name of the [City] [Borough] with the Trustee, and that the yield on amounts held in such fund shall be restricted to a yield not in excess of _____ percent. (**Applies to revenue bonds only.**)]

13. **[Rate covenant and other covenant language – if applicable.]**

14. The [City] [Borough] hereby agrees to keep and retain, until the date six years after the retirement of the Municipal Bond, or any bond issued to refund the Municipal Bond, or such longer period as may be required by the [City's] [Borough's] record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Municipal Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The [City] [Borough] agrees that all records required by the preceding sentence shall be made available to the Bond Bank upon request.

15. Prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

(a) Any representation, warranty or other statement made by the [City] [Borough] to the Bank in connection with its application to the Bank for a Loan shall be incorrect or incomplete in any material respect.

(b) The [City] [Borough] has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the [City] [Borough] has, in the opinion of the Bank, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Municipal Bond to the Bank.

16. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its General Obligation Bonds, 20__ Series _____ and receipt of the proceeds thereof.

17. The [City] [Borough] agrees that it will provide the Bank with written notice of any default in covenants under the [City] [Borough] [Ordinance] [Resolution] within thirty (30) days after the date thereof.

18. The [City] [Borough] agrees that it shall file, on an annual basis, its annual financial statements with the Municipal Securities Rulemaking Board not later than two hundred ten (210) days after the end of each fiscal year of the [City] [Borough] for so long as the Municipal Bond remains outstanding. The [City] [Borough] further agrees that filings under this Section 18 shall be made in connection with CUSIP Nos. 01179P, 011798 and 01179R. Additional or alternate CUSIP number(s) may be added from time to time by written notice from the Bank to the [City] [Borough]. The [City] [Borough] agrees that if it shall receive from the Bank CUSIP number(s) in addition to those set forth in this Section then it shall thereafter make its filings using both CUSIP numbers herein stated and any additional CUSIP number(s).

19. The [City] [Borough] agrees that it shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on the Municipal Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Municipal Bond is subject on the date of original issuance thereof.

[The [City] [Borough] shall not permit any of the proceeds of the Municipal Bond, or any facilities financed with such proceeds, to be used in any manner that would cause the Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code.]

The [City] [Borough] shall make no use or investment of the proceeds of the Municipal Bond that will cause the Municipal Bond to be an "arbitrage bond" under Section 148 of the Code. So long as the Municipal Bond is outstanding, the [City] [Borough], shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect. The [City] [Borough] shall indemnify and hold harmless the Bank from any obligation of the [City] [Borough] to make rebate payments to the United States under said Section 148 arising from the [City's] [Borough's] use or investment of the proceeds of the Municipal Bond.

20. Upon request of the Bank, the [City] [Borough] agrees that if its bonds constitute ten percent (10%) or more of the outstanding principal of municipal bonds held by the Bank under its General Bond Resolution, it shall execute a continuing disclosure agreement prepared by the Bank for

purposes of Securities and Exchange Commission Rule 15c2-12, adopted under the Securities and Exchange Act of 1934.

21. The [City] [Borough] agrees that if its bonds constitute ten percent (10%) or more of the outstanding principal of municipal bonds held by the Bank under its General Bond Resolution it shall provide the Bank for inclusion in future official statements, upon request, financial information generally of the type included in Appendix D of the Bank's Official Statement, dated _____, 20__, under the heading "Summary of Borrowers Representing 10% or More of Outstanding Bonds Issued Under the 2005 General Bond Resolution," attached hereto as Exhibit B.

22. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

23. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

24. No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other term or condition hereof, nor shall a waiver of any breach of this Loan Agreement be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

25. In this Loan Agreement, unless otherwise defined herein, all capitalized terms which are defined in Article I of the General Bond Resolution shall have the same meanings, respectively, as such terms are given in Article I of the General Bond Resolution.

26. This Loan Agreement shall remain in full force and effect so long as the Municipal Bond remains outstanding.

27. This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the date first set forth above.

ALASKA MUNICIPAL BOND BANK

By: _____
DEVEN J. MITCHELL
Executive Director

[CITY] [BOROUGH] OF _____,
ALASKA

By: _____

Its: _____

EXHIBIT A

\$ _____
[City] [Borough], Alaska
[General Obligation] [Revenue] Bond, 20__
(the "Municipal Bond")

Due (_____ 1)	Principal <u>Amount</u>	Interest <u>Rate</u>
------------------	----------------------------	-------------------------

Principal installments shall be payable on _____ 1 in each of the years, and in the amounts set forth above. Interest on the Municipal Bond shall be payable on _____ 1, 20__, and thereafter on _____ 1 and _____ 1 of each year.

[Prepayment Provisions: The Municipal Bond principal installments are not subject to prepayment prior to maturity.]

Optional Prepayment: The Municipal Bond principal installments due on or after _____ 1, 20__ are subject to prepayment in whole or in part at the option of the [City] [Borough] on any date on or after _____ 1, 20__, at a price of 100% of the principal amount thereof to be prepaid, plus accrued interest to the date of prepayment.

EXHIBIT B

[Information from Appendix D of the Bank's Official Statement to be inserted]

CERTIFICATE

I, the undersigned, duly chosen, qualified and acting Clerk of the City and Borough of Sitka, Alaska (the "City") and keeper of the records of the Assembly, DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. _____ of the City (the "Ordinance"), as finally passed at a regular meeting of the Assembly held on _____, 2018, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum of the Assembly was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2018.

Sara Peterson, MMC
Municipal Clerk, City and Borough of Sitka